

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY

Romeo, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* ROMEO DISTRICT LIBRARY	County* MACOMB	Type* LIBRARY	MuniCode* 50-8-002
Opinion Date-Use Calendar* Sep 10, 2008	Audit Submitted-Use Calendar* Oct 31, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 2,319,644.00
General Fund Expenditure:	? \$ 2,195,042.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 2,122,791.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* JOHN E.	Last Name* GIDEON	Ten Digit License Number* 1101007016		
CPA Street Address* 42550 GARFIELD STE 105	City* CLINTON TWP	State* MI	Zip Code* 48038	Telephone* +1 (586) 263-8200
CPA Firm Name* BUSS & COMPANY, P.C.	Unit's Street Address* 65821 VAN DYKE	Unit's City* WASHINGTON TWP	Unit's Zip* 48095	

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Romeo, Michigan
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INDEPENDENT AUDITOR'S REPORT

September 10, 2008

To the Board of Trustees
Romeo District Library
Romeo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Romeo District Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Romeo District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Romeo District Library as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule on pages 3 through 4 and pages 20 through 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Trustees
Romeo District Library
September 10, 2008
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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Romeo District Library's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.


Certified Public Accountants

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ROMEO DISTRICT LIBRARY
Romeo, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The *governmental fund financial statements* include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information and other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current and prior years.

	<u>2008</u>	<u>2007</u>
Current assets	\$2,302,704	\$2,208,773
Capital assets	<u>4,934,356</u>	<u>4,939,604</u>
Total Assets	<u>\$7,237,060</u>	<u>\$7,148,377</u>
Long-term debt and compensated absences	\$ 45,368	\$ 487,769
Other liabilities	<u>179,913</u>	<u>83,288</u>
Total Liabilities	<u>\$ 225,281</u>	<u>\$ 571,057</u>
Net Assets:		
Invested in capital assets, net of related debt and accrued interest	\$4,934,356	\$4,484,989
Restricted for debt service	-	156,748
Unrestricted	<u>2,077,423</u>	<u>1,935,583</u>
Total Net Assets	<u>\$7,011,779</u>	<u>\$6,577,320</u>
Revenue:		
Property taxes	\$2,487,352	\$2,465,343
Other	<u>201,584</u>	<u>226,728</u>
Total Revenue	<u>\$2,688,936</u>	<u>\$2,692,071</u>
Expenses - Library services	<u>2,254,477</u>	<u>1,988,275</u>
Change in Net Assets	<u>\$ 434,459</u>	<u>\$ 703,796</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
June 30, 2008

The Library as a Whole

- The Library's net assets increased by \$434,459 this year. This reflects that taxpayers, current users, and other supporters of the Library have paid the full cost of operating the Library, even after depreciation and recognition of long-term obligations.
- The Library's primary source of revenue is from property taxes, which represents 93% of total revenue.
- Total expenses were 84% of total revenue for the year ended June 30, 2008. Salaries amount to approximately 44% of total expenditures. Benefits amount to 14% of total expenditures.

The Library's Funds

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources provided and insight into the Library's financial health. The Library's major funds consist of the General Fund and the Debt Retirement Fund.

The fund balance of the General Fund increased during the current year by \$149,439. The increase is due primarily to revenues increasing by \$129,888. The most significant increase in revenues was in property tax revenue which increased by \$130,198.

The fund balance in the Debt Retirement Fund decreased by \$156,748. Millage rates are determined to ensure the Library accumulates sufficient resources to pay annual bond related debt service. The Debt Service Fund made the final payment on the 1998 Library Building and Site Bond in April 2008.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant changes were to salaries, tax refunds, and capital outlay.

Capital Assets

At the end of the fiscal year, the Library had \$6,822,245 invested in net capital assets, including building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$251,238 of capital assets consisting of new books, various audio/visual materials, computer equipment, and office equipment and furnishings.

Debt

At the end of the year, the Library had \$ -0- in general obligation bonds outstanding versus \$450,000 at June 30, 2007. This represents a decrease of 100%.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the Townships and Village. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director at 65821 Van Dyke, Washington Township, Michigan 48095.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
STATEMENT OF NET ASSETS
June 30, 2008

Exhibit 1

ASSETS

Cash and cash equivalents	\$ 205,824
Investments	2,062,587
Prepaid expenses	8,870
Loan receivable - Employee	6,900
Due from other governmental unit	18,523
Capital assets	<u>4,934,356</u>

Total Assets	<u>\$7,237,060</u>
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LIABILITIES

Accounts payable and accrued liabilities	\$ 179,913
Compensated absences	<u>45,368</u>

Total Liabilities	<u>\$ 225,281</u>
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NET ASSETS

Invested in capital assets, net of related debt and accrued interest	\$4,934,356
Unrestricted	<u>2,077,423</u>

Total Net Assets	<u>\$7,011,779</u>
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See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Exhibit 2

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Governmental Activities:				
Library services/operations	<u>\$2,254,477</u>	<u>\$ 37,186</u>	<u>\$ 3,460</u>	<u>(\$2,213,831)</u>
<u>GENERAL REVENUES:</u>				
Property taxes				\$2,487,352
State revenues and penal fines				68,672
Interest on investments				58,219
Gifts and memorials				9,851
Other miscellaneous				<u>24,196</u>
Total General Revenues				<u>\$2,648,290</u>
CHANGE IN NET ASSETS				\$ 434,459
 <u>NET ASSETS:</u>				
Beginning of year				<u>6,577,320</u>
End of year				<u>\$7,011,779</u>

See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
 Romeo, Michigan
 COMPARATIVE BALANCE SHEETS
 June 30, 2008 and 2007

	GENERAL FUND	DEBT RETIREMENT FUND	TOTAL GOVERNMENTAL FUNDS	
			2008	2007
<u>ASSETS</u>				
Cash and cash equivalents	\$ 205,824	\$ -	\$ 205,824	\$ 678,638
Investments	2,062,587	-	2,062,587	1,519,405
Due from other funds	-	-	-	18
Prepaid expenses	8,870	-	8,870	-
Suburban Library Cooperative Account	9,582	-	9,582	8
Loan receivable - Employee	6,900	-	6,900	-
Due from other governmental units	8,941	-	8,941	10,722
Total Assets	<u>\$2,302,704</u>	<u>\$ -</u>	<u>\$2,302,704</u>	<u>\$2,208,791</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 136,319	\$ -	\$ 136,319	\$ 28,789
Due to Debt Retirement Fund	-	-	-	18
Deferred revenue	-	-	-	-
Accrued compensated absences	43,594	-	43,594	49,884
Total Liabilities	<u>\$ 179,913</u>	<u>\$ -</u>	<u>\$ 179,913</u>	<u>\$ 78,691</u>
<u>FUND BALANCES</u>				
Fund Balances:				
Unreserved:				
Designated for:				
Debt service	\$ -	\$ -	\$ -	\$ 156,748
Building projects	-	-	-	500,000
Property tax refunds	-	-	-	220,000
Undesignated	2,122,791	-	2,122,791	1,253,352
Total Fund Balances	<u>\$2,122,791</u>	<u>\$ -</u>	<u>\$2,122,791</u>	<u>\$2,130,100</u>
Total Liabilities and Fund Balances	<u>\$2,302,704</u>	<u>\$ -</u>	<u>\$2,302,704</u>	<u>\$2,208,791</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2008

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS		\$2,122,791
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

The cost of capital assets is	\$6,822,245	
Accumulated depreciation	(1,887,889)	4,934,356

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	\$ -	
Compensated absences	(45,368)	(45,368)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$7,011,779</u>
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See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Years Ended June 30, 2008 and 2007

	<u>GENERAL FUND</u>	<u>DEBT RETIREMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
			<u>2008</u>	<u>2007</u>
<u>REVENUES:</u>				
Property taxes	\$2,118,060	\$369,292	\$2,487,352	\$2,536,935
State revenue sharing	21,894	-	21,894	39,497
State aid	17,782	-	17,782	21,530
Penal fines	28,996	-	28,996	36,585
Book fines	31,232	-	31,232	31,944
Interest	58,219	-	58,219	73,674
Service fees	5,954	-	5,954	6,986
Centralized purchasing credit	9,582	-	9,582	9,745
Miscellaneous	14,614	-	14,614	3,895
Gifts and memorials	9,851	-	9,851	1,725
Grants	3,460	-	3,460	1,150
Total Revenues	\$2,319,644	\$369,292	\$2,688,936	\$2,763,666
<u>OTHER FINANCING SOURCES:</u>				
Operating transfers	24,837	-	24,837	-
Total Revenues and Other Financing Sources	<u>\$2,344,481</u>	<u>\$369,292</u>	<u>\$2,713,773</u>	<u>\$2,763,666</u>
<u>EXPENDITURES:</u>				
Salaries	\$1,002,435	\$ -	\$1,002,435	\$ 938,173
Payroll taxes	77,932	-	77,932	71,165
Health insurance	108,754	-	108,754	115,306
Life insurance	903	-	903	1,143
Retirement	125,008	-	125,008	111,816
Subscriptions	-	-	-	14,715
Bindery	-	-	-	189
Supplies	50,677	-	50,677	47,451
Repairs and maintenance	113,851	-	113,851	126,161
Utilities	87,233	-	87,233	87,054
Administration	7,446	-	7,446	6,371
Mileage	2,671	-	2,671	2,035
Professional services	38,906	-	38,906	30,238
Cooperative services	14,302	-	14,302	5,404
Reference services	9,065	-	9,065	23,378
Miscellaneous	7,068	-	7,068	2,110
Public relations and advertising	7,742	-	7,742	10,717

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED
GOVERNMENTAL FUNDS
For The Years Ended June 30, 2008 and 2007

	<u>GENERAL</u> <u>FUND</u>	<u>DEBT RETIREMENT</u> <u>FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u> <u>2008</u>	<u>2007</u>
<u>EXPENDITURES:</u> (Continued)				
Special programs	\$ 8,117	\$ -	\$ 8,117	\$ 10,390
Insurance	11,159	-	11,159	18,751
Computer services	71,759	-	71,759	55,367
Tax refunds	198,776	32,381	231,157	1,729
Capital outlay:				
Books	123,009	-	123,009	129,390
Audio-visual	28,299	-	28,299	37,884
Equipment	23,758	-	23,758	21,721
Building and furnishings	76,172	-	76,172	3,483
Debt service:				
Principal	-	450,000	450,000	435,000
Interest	-	18,450	18,450	36,285
Miscellaneous	-	372	372	300
Total Expenditures	\$2,195,042	\$501,203	\$2,696,245	\$2,343,726
<u>OTHER FINANCING USES:</u>				
Operating transfers	-	24,837	24,837	-
Total Expenditures and Other Financing Uses	<u>\$2,195,042</u>	<u>\$526,040</u>	<u>\$2,721,082</u>	<u>\$2,343,726</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 149,439	(\$156,748)	(\$ 7,309)	\$ 419,940
FUND BALANCE - JULY 1	<u>1,973,352</u>	<u>156,748</u>	<u>2,130,100</u>	<u>1,710,160</u>
FUND BALANCE - JUNE 30	<u>\$2,122,791</u>	<u>\$ -</u>	<u>\$2,122,791</u>	<u>\$2,130,100</u>

See accompanying notes to financial statements.

Buss & Company, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2008

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS (\$ 7,309)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense

Depreciation expense	(\$256,486)	
Capital outlay	<u>251,238</u>	(5,248)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities		450,000
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Increases in compensated absences are reported as expenditures when the financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6		(7,599)
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Accrued interest on bonds is an expenditure in the statement of activities; it is not reported in the governmental funds until paid

Accrued interest payable - Beginning	\$ 4,615	
Accrued interest payable - Ending	<u>-</u>	<u>4,615</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$434,459</u>
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See accompanying notes to financial statements.

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Romeo District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Romeo District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989 as amended. The Library's major support is from property taxes levied in the Village of Romeo, Township of Washington and Township of Bruce. The Library is governed by a six member appointed Board of Trustees. There are no component units as defined by generally accepted accounting principles that are required to be presented in the financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts - invested in capital assets, net of related debt and accrued interest, and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

Fund Financial Statements (Continued)

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund was used to account for funds used to repay principal and interest on outstanding debt, which was paid in full during the year.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

The Library is authorized by state statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. During the year ended June 30, 2008, the Library invested in certificates of deposits, commercial paper, and investment pools.

Receivables and Payables

Property taxes are levied on each December 1st on the taxable value of property as of the preceding December 31. Taxes are considered delinquent if not paid by February 28 of the following year.

The 2008 taxable valuation of the Library totals approximately \$1.8 billion, on which ad valorem taxes levied consisted of 1.1582 mills for Library operations, raising \$2,118,060 for Library operating purposes. An additional .20 mills is levied for debt retirement, raising \$369,292 for debt retirement. This amount is recognized in the financial statements as property tax revenue.

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years - 10% salvage value
Furniture and equipment	5-10 years
Improvements	10-20 years
Library books and materials	5-7 years
Computer equipment	3 years

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Compensated Absences

Vacation leave accrues at various rates depending on job classification and length of service. For most employees vacation does not accumulate beyond the calendar year. At June 30, 2008 a liability has been recorded for vested unused vacation pay and the related payroll taxes.

Sick leave accrues at the rate of eight hours per month for full time employees. Part time employees earn accruals on a pro rata basis determined by the time they work. The Library's policy provides for unlimited accumulation; however, at termination of employment, payment will be made for only 30 days of accumulated sick leave. All sick pay is accrued as earned in the government-wide (accrual basis) financial statements. A liability for these amounts is reported in the governmental funds only for employees who have terminated as of year end.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the General Fund. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. State law does not require that a budget be adopted for the Debt Retirement Fund.

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2008, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>BUDGET</u> <u>VARIANCE</u>
Supplies	\$ 48,500	\$ 50,677	(\$ 2,177)
Mileage	1,000	2,671	(1,671)
Professional fees	32,100	38,906	(6,806)
Cooperative service	4,917	14,302	(9,385)
Tax refunds	175,000	198,776	(23,776)
Capital outlay - Equipment	23,000	23,758	(758)

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

State statutes authorize the Library to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's deposits are in accordance with statutory authority.

The Library's cash and cash equivalents and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts)	\$ 662,866
Investments in securities, mutual funds and similar vehicles	<u>1,605,545</u>
	<u>\$2,268,411</u>

At year end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

Cash and cash equivalents	\$ 205,824
Investments	<u>2,062,587</u>
	<u>\$2,268,411</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
For The Year Ended June 30, 2008

A. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2008, the Library had the following investments:

<u>INVESTMENTS</u>	<u>S & P RATING</u>	<u>MATURITIES</u>	<u>FAIR VALUE</u>
Commercial Paper - General Electric Capital Corp.	None	8/ 4/08	\$ 201,192
Commercial Paper - General Electric Capital Corp.	None	9/ 2/08	201,192
Commercial Paper - General Electric Capital Corp.	None	10/ 2/08	201,782
Commercial Paper - HSBC Finance Corp. Discount	A1	7/ 2/08	200,900
Commercial Paper - American Express Credit Corp. Discount	A1	10/27/08	100,192
Commercial Paper - American Express Credit Corp. Discount	A1	11/26/08	199,980
Commercial Paper - American Express Credit Corp. Discount	A1	12/26/08	300,352
Commercial Paper - American Express Credit Corp. Discount	A1	1/26/09	199,955
			<u>\$1,605,545</u>

Credit Risk - The Library's investments are limited by state statutes. The Library has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$525,889 of the Library's bank balance of \$724,889 was exposed to custodial risk as follows:

<u>DEPOSITS</u>	<u>INSURED (FDIC)</u>	<u>UNINSURED AND UNCOLLATERALIZED</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Demand Deposits	\$100,000	\$107,625	\$205,824	\$207,625
Certificate of Deposit	99,000	-	99,000	99,000
Money Market	-	418,264	358,042	418,264
	<u>\$199,000</u>	<u>\$525,889</u>	<u>\$662,866</u>	<u>\$724,889</u>

(Continued)

ROMEO DISTRICT LIBRARY
 Romeo, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 June 30, 2008

B. CAPITAL ASSETS

Capital asset activity of the Library was as follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
Assets not being depreciated:				
Land and land improvements	\$ 236,733	\$ -	\$ -	\$ 236,733
Capital assets being depreciated:				
Buildings and improvements	\$4,703,663	\$ 61,484	\$ -	\$4,765,147
Furnishings	491,256	14,688	-	505,944
Office and computer equipment	179,909	23,758	17,858	185,809
Library collection	<u>1,074,260</u>	<u>151,308</u>	<u>96,956</u>	<u>1,128,612</u>
Subtotal	<u>\$6,449,088</u>	<u>\$251,238</u>	<u>\$114,814</u>	<u>\$6,585,512</u>
Accumulated depreciation:				
Buildings and improvements	\$ 562,264	\$ 83,982	\$ -	\$ 646,246
Furnishings	464,710	10,364	-	475,074
Office and computer equipment	145,991	145,093	96,956	194,128
Library collection	<u>573,252</u>	<u>17,047</u>	<u>17,858</u>	<u>572,441</u>
Subtotal	<u>\$1,746,217</u>	<u>\$256,486</u>	<u>\$114,814</u>	<u>\$1,887,889</u>
Net capital assets being depreciated	<u>\$4,702,871</u>	(\$ 5,248)	\$ -	<u>\$4,697,623</u>
Net Capital Assets	<u>\$4,939,604</u>	(\$ 5,248)	\$ -	<u>\$4,934,356</u>

C. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2008:

	<u>BALANCE</u> <u>7/1/07</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>6/30/08</u>
Bonds payable	\$450,000	\$ -	\$450,000	\$ -
Compensated absences	<u>37,769</u>	<u>7,599</u>	<u>-</u>	<u>45,368</u>
	<u>\$487,769</u>	<u>\$ 7,599</u>	<u>\$450,000</u>	<u>\$ 45,368</u>

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2008

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

PENSION PLAN

Plan Description

The Library participates in the Municipal Employees' Retirement System of Michigan "MERS" which is an agent multiple-employer, state-wide public employee pension plan. The defined benefit plan adopted by the Library provides retirement and disability benefits and death benefits to plan members and beneficiaries. Pursuant to Public Act 220 of 1996, MERS is an independent public corporation which is an instrumentality of the participating municipalities. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the statewide plan. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917.

Funding Policy

Covered employees are required to contribute 2% of their salary to MERS. The Library is required to contribute at an actuarially determined rate. The contribution requirement of plan members and the Library are actuarially determined and based upon the benefit program selected by the Library.

Annual Pension Cost

For the year ended June 30, 2008, the Library's annual pension cost was equal to the Library's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) an investment yield of 8%, (b) projected salary increases of 4.5% per year compounded annually (c) additional projected salary increases of 0.0% to 8.40% per year depending on age attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% per year after retirement. Unfunded actuarial liabilities are amortized by level percent of payroll contributions over a period of 30 years.

Three year trend information.

<u>FISCAL YEAR</u> <u>FUNDING</u>	<u>ANNUAL PENSION</u> <u>COST (APC)</u>	<u>PERCENT OF APC</u> <u>CONTRIBUTED</u>	<u>NET PENSION</u> <u>OBLIGATION</u>
6/30/06	\$ 98,129	100%	\$ -
6/30/07	111,816	100%	-
6/30/08	125,008	100%	-

(Continued)

ROMEO DISTRICT LIBRARY

Romeo, Michigan

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2008

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

VI. PRIOR PERIOD COMPARATIVE FINANCIAL INFORMATION

The governmental fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2008

Schedule No. 1
 Page 1 of 2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>REVENUES:</u>				
Property taxes	\$2,129,263	\$2,129,263	\$2,118,060	(\$ 11,203)
State revenue sharing	38,900	38,900	21,894	(17,006)
State aid	9,800	9,800	17,782	7,982
Penal fines	28,000	28,000	28,996	996
Book fines	25,000	25,000	31,232	6,232
Interest	25,000	25,000	58,219	33,219
Service fees	5,000	5,000	5,954	954
Centralized purchasing credit	-	-	9,582	9,582
Miscellaneous	5,000	5,000	14,614	9,614
Gifts and memorials	1,000	1,000	9,851	8,851
Grants	-	-	3,460	3,460
Operating transfers	-	-	24,837	24,837
Total Revenues	<u>\$2,266,963</u>	<u>\$2,266,963</u>	<u>\$2,344,481</u>	<u>\$ 77,518</u>
<u>EXPENDITURES:</u>				
Salaries	\$ 961,000	\$1,026,000	\$1,002,435	\$ 23,565
Payroll taxes	73,000	81,000	77,932	3,068
Health insurance	125,300	125,300	108,754	16,546
Life insurance	1,000	1,000	903	97
Retirement	110,500	125,500	125,008	492
Supplies	44,000	48,500	50,677	(2,177)
Repairs and maintenance	134,200	117,700	113,851	3,849
Utilities	95,000	95,000	87,233	7,767
Administration	6,000	17,700	7,446	10,254
Mileage	1,000	1,000	2,671	(1,671)
Professional fees	25,000	32,100	38,906	(6,806)
Cooperative service	4,917	4,917	14,302	(9,385)
Reference services	18,000	9,100	9,065	35
Miscellaneous	5,100	8,100	7,068	1,032
Public relations	12,000	7,742	7,742	-
Special programs	9,000	9,000	8,117	883

(Continued)

ROMEO DISTRICT LIBRARY
Romeo, Michigan
BUDGETARY COMPARISON SCHEDULE, CONTINUED
GENERAL FUND
For The Year Ended June 30, 2008

Schedule No. 1
 Page 2 of 2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
<u>EXPENDITURES:</u> (Continued)				
Insurance	\$ 20,000	\$ 20,000	\$ 11,159	\$ 8,841
Computer services	70,000	80,000	71,759	8,241
Tax refunds	100,000	175,000	198,776	(23,776)
Capital outlay:				
Books	135,000	135,000	123,009	11,991
Audio-visual	40,000	30,000	28,299	1,701
Equipment	45,000	23,000	23,758	(758)
Buildings and furnishings	30,000	90,000	76,172	13,828
Contingency	20,000	4,303	-	4,303
 Total Expenditures	 <u>\$2,085,017</u>	 <u>\$2,266,962</u>	 <u>\$2,195,042</u>	 <u>\$ 71,920</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>\$ 181,946</u>	 <u>\$ 1</u>	 <u>\$ 149,439</u>	 <u>\$149,438</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

ROMEO DISTRICT LIBRARY
Romeo, Michigan
SCHEDULE OF INSURANCE IN FORCE
June 30, 2008

<u>INSURANCE COMPANY</u>		<u>TYPE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>T E R M</u>	
				<u>FROM</u>	<u>TO</u>
American Economy Insurance Company	*	Fire, lightning & E.C. Building 107 Church Street, Romeo, Michigan 65821 Van Dyke, Washington, Michigan	\$ 895,000 4,752,400		
	*	Personal property 107 Church Street, Romeo, Michigan 65821 Van Dyke, Washington, Michigan	354,760 1,301,830		
		Commercial General Liability	\$2,000,000 general aggregate		
		Products - Completed Operations	\$2,000,000 aggregate limit		
		Personal Injury/Advertising	\$1,000,000 any one person		
		Nonowned Auto & Hired Auto	1,000,000		
		Theft, disappearance and destruction	2,000		
		Employee Benefit Liability	\$2,000,000 aggregate benefit		
	**	Inland Marine	50,780	6/25/08	6/25/09
American States Insurance Company		Commercial Umbrella Liability	\$1,000,000 each occurrence	6/25/08	6/25/09
Great American Insurance Companies		Officers and Directors Liability	\$2,000,000 per year	10/31/07	10/31/08
			\$5,000 retention each claim		
SAFECO		Standard Workers Compensation	State Law	7/20/07	7/20/08

* \$10,000 deductible and 90% co-insurance clause on building and contents at both locations.

** Includes Mechanical Breakdown Coverage - \$1,000 deductible

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 CLINTON TOWNSHIP, MICHIGAN

RDMEO DISTRICT LIBRARY
 Romeo, Michigan
 SCHEDULE OF PENSION FUNDING PROGRESS
 June 30, 2008

<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u> <u>DECEMBER 31</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITIES</u> <u>(AAL)</u>	<u>UNFUNDED</u> <u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u> <u>UAAL</u>	<u>FUNDED</u> <u>RATIO</u>	<u>COVERED</u> <u>PAYROLL</u>	<u>UAAL AS A</u> <u>PERCENTAGE OF</u> <u>COVERED</u> <u>PAYROLL</u>
	(a)	(b)	(b - a)	(a/b)	(c)	((b-a)/c)
1998	\$ 358,082	\$ 867,862	\$509,780	41%	\$418,729	122%
1999	446,739	960,092	513,353	47%	452,132	114%
2000	546,640	1,093,412	546,772	50%	543,126	101%
2001	677,360	1,203,741	526,381	56%	698,529	75%
2002	820,946	1,373,488	552,542	60%	716,490	77%
2003	990,849	1,556,669	565,820	64%	631,155	90%
2004	1,140,253	1,649,340	509,087	69%	626,521	81%
2005	1,242,879	1,925,504	682,625	65%	514,169	133%
2006	1,344,188	2,045,728	701,540	66%	502,346	140%
2007	1,456,200	2,153,345	697,145	68%	464,668	150%

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

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MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

September 10, 2008

Board of Trustees
Romeo District Library
Romeo, Michigan

Re: Supplemental System and Internal Control
Comments and Recommendations in conjunction
with audit for the year ended June 30, 2008

Honorable Members:

In planning and performing our audit of the financial statements of Romeo District Library for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. The following items are presented that could affect Romeo District Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Budgeting

The Library has established a budgeting process which is used to control expenditures. We have reviewed the budgets for compliance with the Uniform Budgeting and Accounting Act P.A. 621 of 1978. The act requires that expenditures in a specific appropriations account beyond the amount of the original budget (general appropriations act), be approved by the Board with a transfer or supplemental appropriation. During the year ended June 30, 2008, the Library incurred expenditures in a budgeted category which were in excess of the amounts appropriated by the Board. The specific budget variance is detailed in Note II of the annual financial report.

Various budget amendments are made throughout the year. It is recommended that the Library develop a spreadsheet to track same. The original budget would be placed in the first column. Amendments approved at Board meetings would be placed in a separate column, by meeting, with the revised budget placed in the subsequent column.

Accounting Policy and Systems

During the year the Library initiated a review of accounting policies and procedures. We encourage the Library to continue with this review resulting in an updated approved system.

The Library has recently contracted for payroll and payable payment services. These processes should be coordinated with Library receipts to be posted to the general ledger.

Fund Balance

During the year ended June 30, 2008, the Library's General Fund revenues and other financing sources exceeded expenditures by \$149,439. As a result, General Fund equity increased to \$2,122,791 at June 30, 2008. The entire fund equity is unreserved and undesignated at June 30, 2008.

By maintaining an appropriate fund equity, the Library is able to meet unforeseen circumstances without affecting the level of programs for the year. The Library's unreserved, undesignated fund equity is equal to approximately 103% of expenditures, or 54 weeks of operation.

Retiree Health Care Benefits

The Governmental Accounting Standards Board (GASB) has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Library's 2010 fiscal year. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid.

The Library has initiated services to perform the actuarial study to meet the requirements of GASB 45.

This communication is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Romeo District Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We appreciate the cooperation of the Library staff and trustees during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink that reads "Buess & Company, P.C." in a cursive, stylized font.

Certified Public Accountants

BUSS & COMPANY, P.C.

Certified Public Accountants
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MEMBERS
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The Michigan Association of
Certified Public Accountants

September 10, 2008

Board of Trustees
Romeo District Library
Romeo, Michigan

We have audited the financial statements of Romeo District Library for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Romeo District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters with Mary Elizabeth Harper, Director, as reflected in our engagement letter dated July 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Romeo District Library are described in Note 1 to the financial statements. No new significant accounting policies were adopted and the application of existing policies were not changed during 2008. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no estimates affecting the financial statements which were deemed sensitive in nature.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2008, a copy which is available from management.

Board of Trustees
Romeo District Library
September 10, 2008
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Management Consultations with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Romeo District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BUSS & COMPANY, P.C.

A handwritten signature in cursive script that reads "Buss & Company, P.C.".

Certified Public Accountants